

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6229

BILL NUMBER: HB 1090

NOTE PREPARED: Jan 26, 2012

BILL AMENDED: Jan 23, 2012

SUBJECT: Payment Plan to Remove Property From Tax Sale.

FIRST AUTHOR: Rep. Friend

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) *Payment Arrangements*- The bill applies statewide the authority that currently applies only in Lake County allowing the county auditor to remove real property from a tax sale if the county treasurer and the taxpayer agree to a mutually satisfactory arrangement for the payment of the delinquent taxes.

Failure to Pay- The bill establishes a period during which a taxpayer who fails to make a payment under the delinquent property tax payment arrangement may not enter into another arrangement.

Extension of Redemption Period- The bill allows the county treasurer to extend the tax sale redemption period applicable to a homestead if the county treasurer and the taxpayer agree to an arrangement for payment of the amount required for redemption before the expiration of the extended redemption period. The bill provides for cancellation of the agreement and the extension if the taxpayer fails to meet the terms of the agreement. The bill provides that the total amount required for redemption includes all taxes, special assessments, penalties, and fees on property that accrued after the tax sale.

Minimum Bid- The bill provides that the fiscal body of a county may adopt an ordinance authorizing the county treasurer to accept a minimum bid on real property subject to sale for delinquent taxes equal to the lesser of: (1) the delinquent taxes, penalties, and other related costs; or (2) 75% of the gross assessed value of the real property.

Waiver of Penalties- The bill provides that the fiscal body of a county may adopt an ordinance to require waiver of penalties on delinquent taxes on real property in the county if: (1) part of the delinquent taxes on the

real property were first due and payable before January 1, 2010; and (2) all of the delinquent taxes on the real property are paid after June 30, 2012, and before July 1, 2013.

Effective Date: (Amended) January 12, 2012 (retroactive); Upon Passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *Payment Arrangements-* There could be minimal expenditure savings in counties that would begin delinquency payment arrangements. The savings may include reduced printing, postage, and publishing costs related to tax sale notices.

Failure to Pay- If a payment arrangement failed and the real property in question were again placed on the list of eligible properties for tax sale, a prohibition would be placed on the taxpayer from re-entering into another payment arrangement as specified in the bill.

Background: As of November 23, 2011, the Lake County Treasurer's Office had a delinquent payment agreement with 594 parcels that otherwise would be eligible for tax sale. Typical delinquent payment agreements range from 6 to 12 payment installments.

Explanation of Local Revenues: *Payment Arrangements-* Properties under a repayment agreement would remain on county tax rolls instead of being removed from the rolls during the process leading up to a tax sale. When a property goes to tax sale, payment of property taxes has generally stopped or become delinquent. Agreements would allow tax revenue from those properties to continue to be collected and distributed to various local units of government relying on property taxes as a source of revenue. The provision would require arrangement payments to be completed by the last business day before July 1 of the year after the year the agreement was reached.

Extension of Redemption Period- This provision would allow county treasurers and property owners more time to reach agreements for the owner to pay the amounts owed to save their property from tax sale and the county to receive a steady stream of back taxes without having to designate the property for a tax sale. Under current law, the redemption period is 120 days (roughly four months), if the county executive has acquired the lien for which the certificate of sale has not sold. This provision would allow a county to extend the redemption period to one year after the date of establishing a repayment agreement with the taxpayer.

(Revised) *Minimum Bid-* The fiscal impact of this proposal would depend on whether capping the minimum bid at 75% of the gross assessed value would make the parcel in question more attractive to potential buyers at the tax sale. If more sales occur, the county would be able to recover some revenue from the sale of the parcel. If more properties are not sold as a result of this provision, then the fiscal impact of this provision would be negligible. The potential revenue recovered would depend on a county adopting an ordinance to allow the minimum bid proposed by this bill.

(Revised) *Waiver of Penalties-* A waiver of penalties on delinquent taxes may allow some taxpayers to reclaim their property from the tax sale list, or redeem their property after it has been sold at the tax sale. At the tax sale itself, a waiver could result in a reduced minimum bid, which could make the property more attractive to

a prospective bidder. For the taxing unit in question, this provision may allow a parcel to be returned to the tax base which, in turn, would ultimately lead to an increase in property tax revenues. The amount of the increase would depend on a county adopting an ordinance allowing waivers of penalties and the number and value of the properties returned to the tax rolls as a result of the provision.

Background: The following table illustrates the statewide history of parcels offered at tax sale by SRI in prior years. Seventy-five of 92 counties had their tax sales conducted by SRI during CY 2010. Seventy-six counties are scheduled to have tax sales conducted by SRI during CY 2011.

Tax Sales Conducted by SRI During CY 2010 and 2011.			
CY	Number of Parcels Offered for Tax Sale	Number of Parcels Sold	Number of Counties with Tax Sales During Year
2010	32,701	6,446	75
2011 *	28,185	4,550	76
Total	60,886	10,996	
*Through November 2011.			

State Agencies Affected:

Local Agencies Affected: Counties.

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